

Rating: Buy
 S&P 500: 1311

Anadarko Petroleum Corporation Large Cap Resource Target

<i>Symbol</i>	APC	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$mm)</i>	6,260
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	45
<i>Price (US\$/sh)</i>	106.02	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/28/06	<i>Adjusted Reserves/Production NTM</i>	12.6
<i>Shares (mm)</i>	232	<i>EV/Ebitda</i>	4.6
<i>Market Capitalization (US\$mm)</i>	24,600	<i>PV/Ebitda</i>	6.6
<i>Debt (US\$mm)</i>	4,400	<i>Undeveloped Reserves (%)</i>	38
<i>Enterprise Value (EV) (US\$mm)</i>	29,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	39.56
<i>Present Value (PV) (US\$mm)</i>	41,500	<i>Present Value Proven Reserves(US\$/boe)</i>	16.95
<i>Net Present Value (US\$/share)</i>	160	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.83
<i>Debt/Present Value</i>	0.11	<i>Earnings Next Twelve Months (US\$/sh)</i>	12.79
<i>McDep Ratio - EV/PV</i>	0.70	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	0.7	<i>Indicated Annual Dividend (US\$/sh)</i>	0.72

Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Summary and Recommendation

Buy-recommended **Anadarko Petroleum (APC)** offers 51% appreciation potential to estimated net present value (NPV) of \$160 a share. That estimate presumes a long-term oil price of \$50 a barrel compared to a futures price of \$72 for oil delivered over the next six years. NPV is in line with a correlation of present value with adjusted reserve life and next twelve months cash flow taking account of first quarter 2006 results reported the evening of April 27. Anadarko's value is concentrated about 60/40 on North American natural gas and world oil as we assess it. The most interesting commentary on the quarterly call seemed to be on the exciting near-term prospects for 15% volume growth from January to December 2006. We don't include that much in our projection, nor does the stock price seem to reflect much anticipation. Failing to attract any corporate acquirer it sought about two years ago, management has high-graded the company's properties while the stock price is not up as much as commodity price.

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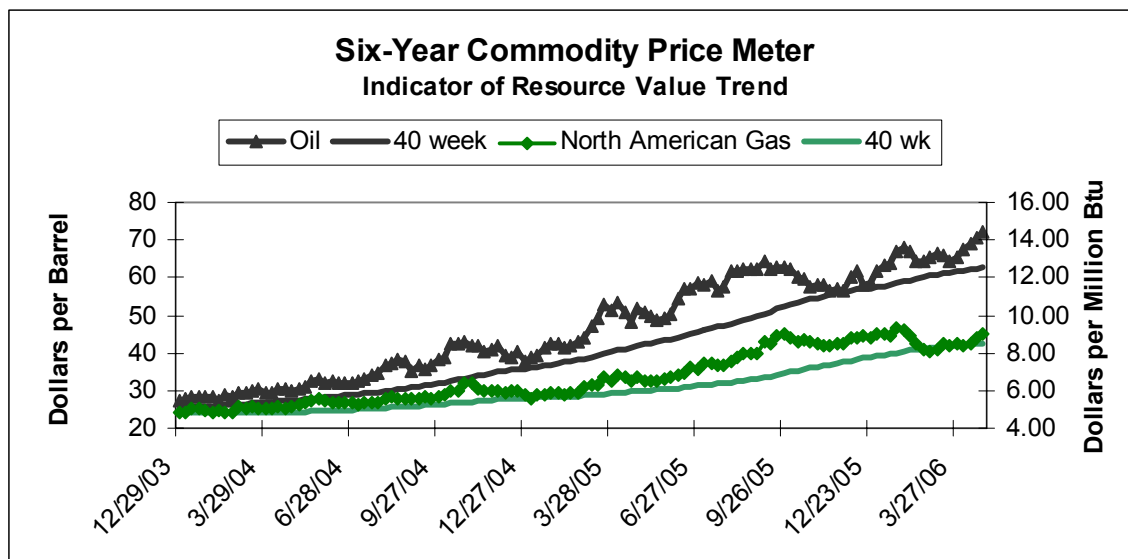
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<u><i>(US\$mm)</i></u>	<u><i>R/P</i></u>	<u><i>Ebitda</i></u>	<u><i>Value</i></u>	
				<u><i>(US\$mm)</i></u>	
North American Natural Gas	2,800	13.4	8.9	25,000	60%
Oil	3,460	11.6	4.8	16,500	40%
	6,260	12.6	6.6	41,500	100%
Debt (US\$mm)				4,400	
Net Present Value (US\$mm)				37,100	
Shares (mm)				232	
Net Present Value - Standard Estimate (US\$/sh)				160	
Net Present Value - Approximation by Correlation (US\$/sh)				165	

Please see disclosures on the final page.

Anadarko Petroleum Corporation
Next Twelve Months Operating and Financial Estimates

	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Next</i>
	<i>3/31/05</i>	<i>12/31/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>Twelve</i>
									<i>Months</i>
									<i>3/31/07</i>
Volume									
Natural Gas (mmcf)	1,454	1,386	1,414	1,366	1,366	1,366	1,400	1,375	1,383
Oil (mbd)	213	198	199	191	191	200	210	198	203
Total gas & oil (bcf)	246	237	951	226	229	236	245	935	949
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.27	13.00	8.65	8.97	6.95	7.29	9.26	8.12	8.74
Company (\$/mcf)	5.54	9.94	7.45	7.62	5.90	6.19	7.87	6.98	7.52
Oil (\$/bbl)									
WTI Cushing	49.65	60.02	56.31	63.33	70.48	73.18	74.36	70.34	73.16
Worldwide	42.37	49.93	46.28	54.85	61.04	63.38	64.40	61.06	63.41
Total gas & oil (\$/mcf)	6.25	9.86	7.49	8.36	7.89	8.28	9.27	8.53	8.95
Revenue (\$mm)									
Natural Gas	725	1,425	3,844	948	743	787	1,026	3,504	3,796
Oil	812	909	3,357	943	1,061	1,166	1,244	4,414	4,693
Other	(7)	(90)	(79)	63				63	-
Total	1,530	2,245	7,121	1,954	1,804	1,954	2,270	7,981	8,489
Expense									
Fixed	191	224	856	258	258	258	258	1,033	1,033
Variable	191	224	856	258	221	258	337	1,074	1,201
Ebitda (\$mm)	1,149	1,798	5,409	1,438	1,325	1,437	1,674	5,875	6,255
Deprec., Deplet., & Amort.	324	352	1,343	360	360	360	360	1,440	1,440
Hedging and other	19		19	13	8	9	13	43	47
Ebit	806	1,446	4,047	1,065	957	1,068	1,302	4,391	4,768
Interest	52	49	201	51	51	51	51	204	204
Ebt	754	1,397	3,846	1,014	906	1,017	1,251	4,187	4,564
Income Tax	264	489	1,346	355	317	356	438	1,466	1,598
Net Income (\$mm)	490	908	2,500	659	589	661	813	2,722	2,967
Shares (millions)	239	234	237	232	232	232	232	232	232
Per share (\$)	2.05	3.88	10.56	2.84	2.54	2.85	3.50	11.73	12.79
Ebitda Margin	75%	80%	76%	74%	73%	74%	74%	74%	74%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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